

# **CITIZENS' REVENUE REVIEW AND ECONOMIC COMPETITIVENESS COMMISSION**

**MEETING MINUTES FOR  
Thursday August 26, 2010, AT 6:00 P.M.  
Westfield UTC Forum Hall  
4545 La Jolla Village Drive San Diego, CA 92122**

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Chair Bob Nelson called the meeting to order.

Mr. Nelson introduced District I City Councilmember Sherri Lightner.

Ms. Lightner thanked everyone for coming to the meeting. She reminded everyone that today is Women's Equality Day. She noted that she looks forward to hearing all of the comments and ideas.

Commissioners Present: Bonanno, Moser, Nelson, Singh, Gin, Morton

Commissioners Not Present: Standifird, Barros

NON-AGENDA PUBLIC COMMENT

COMMISSIONER COMMENT

CITY ATTORNEY, IBA, CITY AUDITOR COMMENT

INFORMATION ITEMS

## **ITEM-I Presentation from San Diego Coastkeepers regarding a Sustainable San Diego**

***Bruce Resnick, Executive Director***

- Coastkeeper is the largest environmental group in SD focused on water rights. Mr. Resnick is also involved with the Bay Council, which includes several other environmental nonprofit community organizations dedicated to protection coastal waters.
- Urged the commission to believe that "Virtually all of the time, the right environmental decision, is the right economic decision." Sustainability is a practical way to solve more than one problem at once.
- Several major issues affecting San Diego, include:

- Water Quality
  - In 1999, SD led the nation in beach advisories and received negative press nationally. There has been a lot of improvement since, however, there are still many things to be done. Urban run-off is the largest problem (made comparison of oil spills).
  - It is admittedly difficult to raise revenue for water. Prop 218 does not cover urban run-off.
  - The 2005 city storm water fees (117 out of 122) – generated \$6M, but spent \$15 M. Estimates the program would actually cost \$29 M if the city did everything that is needed.
- Tourism
  - San Diego's 3<sup>rd</sup> largest industry—including about 30 M visitors, half stayed overnight, \$8 B for local economy. Mr. Resnick stressed that the bay and beaches are the number one attraction, and supports local jobs.
  - SD needs to invest in our coastal waters for tourists and because our communities utilize them as well.
- Water Supply – reliable water is needed for reliable energy
  - Imports 80-90% of the water needed
  - 19% of CA energy costs are for water “transportation”
  - Humans can only last 3 days without water, thus the issue is critical.
- Transit Issues
  - National study ranked SD 9<sup>th</sup> for traffic delays: 23.7 mi. avg. commute is higher than avg. commute of 20.5 mi.
  - If we reduced avg. commute by just 3.2 miles → save \$1.35 B just in transportation costs.
    - Travel time reduced by installing transit.
- General Vision
  - Vision is needed of where the city needs to be, and leadership willing to address a variety of issues.
  - Investment & invention (green-tech is here)
  - Change ways of thinking/behaviors – move away from consumption-based economy to thrift-based economy.
  - Community-based solutions
    - Most cost-effective solutions are always related to conservation and efficiency.
      - Toilets have been focused on, but more can be done shower, washing machines, etc.
      - Grass – 2/3 of our water usage is irrigation, which runs off with pesticide, etc.
      - Landscaping
      - Reuse of water
    - Low-impact development (porous pavement, etc.).
      - City has a list of projects they would like to do, but don't have the resources.
        - Encourage transit, bike and pedestrian friendly communities.

- Allows for more certainty about water costs.
- Link education system w/ the clean-tech community.

Urges leadership on these issues to come from this commission.

## **ITEM-2 Overview on the City of San Diego's Budget – Breanna Zwart**

### City Budget Overview

General Fund includes core community services (libraries, park & rec, public safety)

- 2011 FY \$1.1 Billion
- Major general fund revenue sources: property, sales, transient occupancy (TOT) = 66% of fund revenues
- Largest use of general funds—52% Public Safety; 18% Public Works
- Wages/salaries, contracts, energy and utilities, technology, supplies

Total City Budget

- 2011 FY \$2.76 B (Gen fund is 40% of that)
- 6 fund types: including enterprise funds and special revenue funds

Shortfall of \$179 M for FY2011 (as presented in late 2009)

- Each year the Mayor prepares a 5-year fiscal plan
- Projected shortfalls were reduced, but still need to find ways to reduce the gap.

### Citizen's Survey

In March 2010, the IBA completed a random telephone survey of 600 households. Overall, residents believe San Diego is a good place to live and appreciate the quality of life. About 51 percent felt the city did an excellent or good job of delivering services to the residents. The value of services received for taxes was deemed excellent or good by 47 percent of respondents.

However, 32 percent indicated the overall direction the city is taking as excellent or good. Only 28 percent felt the city does an excellent or good job of listening to citizen concerns.

The satisfaction level with city services was mixed. Twenty-five city services were ranked. Trash collection and fire response were the highest level of satisfaction. Citizens were also asked if they would consider paying more to maintain certain services (through taxes or fees). These numbers were then correlated with satisfaction levels, to create a priority-spending index. Nine areas were found to have high rankings, with top priorities being the condition of city streets, police and fire response, and efforts to address homelessness.

Several (six) strategies to deal with the deficit were proposed to citizens. Most (74%) of respondents approved of usage of more private contractors or managed competition as a solution. Two strategies received majority approval, but also disapproval.

- Increased fees to avoid service reductions (59% approved, 36% disapproved)
- Combination of new revenues and service cuts (52% approved, 40% disapproved)

Three remaining received about disapproval about equal to approval.

- Further reduction to city employee salaries/benefits.
- Generate new revenue by increased taxes to avoid service reductions
- Eliminate or further reductions to city services

### **ITEM-3 Presentation regarding Economic Competitiveness Proposals discussed by the Commission—Andrea Moser**

The following themes and recommendations have emerged throughout past presentations and meetings.

#### Quality of Life/Workforce

- Create a more skilled local workforce through sharing city resources and strategies, with schools, colleges, universities and community organizations, to improve student achievement.
- Maintain public safety, streets, libraries, recreational and environmental features of the community—for benefit of our workforce, and to continue attracting skilled workforce and tourism spending.
- Protecting beach and bay water quality through stronger programs and facilities, to prevent and treat storm water runoff—for the benefit of our citizens and attract a high value workforce and tourism spending.

#### Business Incentives

- Exempt healthcare institutions from sales tax on major medical device purchases.
- Expedited and lower cost development processing for healthcare facilities.
- Expand the convention center, to attract tourist spending and generate jobs and local tax revenue.
- Expedited development processing for projects including significant affordable housing, placed on high frequency transit lines, are green developments, or meet other specific public policy goals.
- Fees charged to industrial/commercial developers (linkage fees) to help pay for affordable housing should stay as they are today.
- Allow developers/builders to pay city staffing costs, impact fees, water connection fees, etc. at the end of the approval process (not in advance).
- Reduce number, and time consumed by, multiple environmental and construction reviews, for proposed development projects.

**ITEM-4 Table discussions: discuss the economic competitiveness options presented. Please share any additional ideas you may have.**

**ITEM-5 Table Reports: Each table selects a spokesperson and report on their table discussions.**

- Joe LaCava, La Jolla Community Planning Association
  - Developers are always looking for a break. Probably many clients and others in the profession believe otherwise, not everyone can go to the front of the line. Mr. LaCava believes the city sets the bar too low for some things. Instead of begging people to do things (green, be near transit, etc.), these measures should be required of all.
  - Portland cited as an example of a great city, that raises the bar.
  - It is common sense to have improving water quality as a priority for San Diego.
  - Schools/workforce: School bashing is popular, but unproductive and unjustified. It makes sense to have a dialogue between educational institutions and economic commissions. Ensuring that programs translate to real jobs for students involved (vocational training) should be focused upon.
- Janay Kruger, University Community Planning Group
  - It is a continuing battle to get the money for infrastructure projects.
  - UTC is going to expand and add a million sq. ft., hopefully in the beginning of Jan.
  - Irvine Co., UCSD, SAI and Qualcomm are all doing well. There are 504 biocomms within 20 minutes of university.
  - Scripps will build new hospital.
  - UCSD will build Jacobs tower.
  - Trolley is coming.
  - Miramar
  - Need city's cooperation in making projects happen.

## **ITEM-6 Presentation regarding Revenue Options discussed by the Commission**

Help the commission focus on four topics:

- Business Tax:
  - Proposes a new plan based on gross business receipts, total rates to not exceed 75% of the statewide average rates for comparable cities. This would generate about \$32.6 M in additional revenue. Requires 50 percent voter approval. Businesses would pay a \$150 annual fee, plus a % of their total gross receipts, based on their industry type. There would be a small business exemption on the first \$100,000 of annual receipts, which would not be taxed. SD has the lowest business tax rate among major CA cities. Businesses pay an average of \$79 per year, compared to the average amount of \$609.
- Residential Trash Fees:
  - City would adopt a trash collection fees based on container size. There would be no charge for recycling or green waste, to encourage these actions. Revenue would be increased by \$34 M if enacted. Revocation of People's Ordinance of 1919, which prohibits city from charging residents for trash collection. City would also need to pay for a cost of service study to ensure the

fees charged do not exceed the actual cost. This would require City Council approval and would be subject to veto if a majority of residents protest. SD is the only city in CA that does not charge a fee for trash collection.

- Beach Parking Lot Fees
  - City-owned beach area parking lots would charge to recover costs for parking enforcement, traffic control, and street/beach maintenance costs. Tourists are not paying to help alleviate the costs of these services. Projected revenues would be \$2.8 M. A cost of service study would be needed for this measure. Voter approval is not necessary, but City Council approval is required.
- Mission Bay Park & Recreation Parking Fees
  - Similar proposal as beach parking fees. Mission Bay Park would recover costs for traffic control, street and bay maintenance. Revenue raised would be \$5.2 M, which would have to be spent on specific related areas. City Council approval would be required, subject to majority of residents protesting.

**ITEM-7 Table discussions: discuss the revenue options presented. Please share any additional ideas you may have.**

**ITEM-8 Table Reports: Each table selects a spokesperson and report on their table discussions.**

- Doug Williamson
  - Commented on logistics of container size, using old containers, recycling.
  - Inquired about costs of recycling and waste collection.
- Joe LaCava
  - Beach parking fees is a laudable goal, but pushes people who do not want to pay for parking, into residential neighborhoods. Fee applies to the cars, so locals cannot avoid the fees. Need to consider parking fees at other tourist attractions as well, such as Balboa Park.
  - General revenue is about average, even though separate taxes are lower than other major CA cities.
  - Concerned about business tax, because not sure how it would benefit business. There needs to be some sort of nexus shown between tax and how it would be utilized (i.e. economic development measures).
  - Generally accepting of raising taxes, so there is a greater correlation between the people who use a service or create a cost, is reimbursing the city. It is hard to look at these measures when there are larger issues to be examined.
    - Agrees with concept of people paying for exactly the costs, such as trash collection. Direct benefit of certain things, such as storm water prevention.

## ACTION ITEMS

**ITEM-9 Approval of Commission Minutes**

Comments:

- Commissioner Bonnano's name was misspelled.
- Moser was not listed as present or not present on minutes for one meeting.

Motion to approve the minutes by Mr. Bonnano, seconded by Dr. Singh. All commissioners voted in favor of approval of the minutes.

**ITEM-10 Approval of Commission Work Plan**

- Mr. Nelson has begun extracting important points from meetings, and will begin drafting proposed findings/recommendations. By September 9<sup>th</sup>, believes he would be able to have a beginning draft of at least some sections.
- Ms. Moser expressed her appreciation for Mr. Nelson taking on the task of drafting a report.
- Dr. Gin agreed one person should formulate a draft, to bring to the rest of the commission.
- Mr. Bonnano suggested commissioners could submit their rankings of proposed issues to help structure the report.
- Drafts would begin to circulate in late September. Final report needs to be presented on December 1, 2010.
- Motion to approve the work plan by Dr. Gin, seconded by Ms. Moser. All commissioners voted in favor of the proposed work plan.

Other Items:

- Julie Dubick, Dir of Policy for Office of the Mayor sent a memo (of 8/10/2010) regarding several issues Mr. Nelson had requested information on. Ms. Dubick's response stated presentations were only available on certain issues, other issues were too speculative at this time.
- Councilmember DeMaio and the Small Business Advisory Board recommended amnesty on collections of past due business tax payments. The City Treasurer assessed the possibility of an amnesty program. The city would lose \$656,000 and increase our budgetary gap.
- Next Meeting is Sept. 9<sup>th</sup>, 2010.

Chair Bob Nelson adjourned the meeting.

Chair Bob Nelson

